



Arkansas

State Revenue Tax Quarterly

Mike Huckabee, Governor

Department of Finance & Administration Revenue Division

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Income Tax UPDATES

Act 774 of 2003 changes the due date for filing state corporation returns and individual income tax returns to the due date for filing the corresponding federal income tax return. This change makes the due date the 15th day of the 3rd month after the close of the tax year for corporations. The corporation income tax estimated payment due dates are now due on or before 15th day of the 4th, 6th, 9th and 12th months of the tax year. April 15th is the deadline for filing individual tax returns. Individual income tax estimates are now due on or before the 15th day of the 4th, 6th, and 9th month of the tax year and the 15th day of the 1st month following the close of the tax year. The Act is effective for tax years beginning on or after January 1, 2003. Because of the timing of this Act, Taxpayers will not be penalized for 2003 estimated payments made using the previous filing dates.

Act 38 of 2003 levies a 3% surcharge on the tax liability of each person required to file an Arkansas income tax return, which will apply to tax years beginning in calendar years 2003 and 2004. The 3% surcharge also applies to all residents of Texarkana who are exempting income under the Border City Exemption. The surcharge will be computed on the taxpayer's liability calculated without taking the exemption. Special language in the Act requires taxpayers who claim the

"Border City Exemption" to calculate the surcharge on what their Arkansas income tax would be without the exemption. The Income Tax Section of the Arkansas Revenue Division developed a special form to make this calculation.

If you are a nonresident or part-year resident of Arkansas who qualifies for and claims the "Border City Exemption," please do not use the surcharge schedule in your tax booklet. The original form did not allow taxpayers to apportion the surcharge due from a nonresident or part-year resident. Therefore, the form has been revised to allow nonresident and part-year resident taxpayers to calculate their correct surcharge liability. The revised form has a separate schedule to calculate the surcharge and the apportionment of that surcharge. We sincerely regret this oversight, and any inconvenience it may cause. The new form is available on our website: http://www.state.ar.us/dfa/taxes/ind_tax/IIT_index.html

You may also contact the Arkansas Individual Income Tax Taxpayer Assistance Office toll-free at 1-800-882-9275 (in Arkansas only) or (501) 682-1100 (out of State) or by writing to: Income Tax Forms, P.O. Box 3628, Little Rock, AR 72203-3628. The form will be available (by February 9th) in the Texarkana, AR Revenue Office at 801 East

4th, Texarkana, AR, phone (for forms availability information only) (870) 773-3871.

As a reminder, in an effort to help ensure the confidentiality of taxpayer identification numbers, a taxpayer's SSN or FEIN is not included on the taxpayer identification label included in the income tax booklets, or Taxpayer Information Cards. Therefore, taxpayers and preparers must enter all applicable SSN's or FEIN's on every return filed for tax years 2003 and later.

The bonus depreciation and additional Section 179 deduction enacted by the Federal Job & Growth Tax Relief Reconciliation Act of 2003 are not available for Arkansas income tax purposes. All Arkansas income tax returns must be filed using depreciation and expensing of property provisions found in Sections 167, 168, 179, and 179A of the IRS Code of 1986 as in effect on January 1, 1999.

Tax preparers will receive a CD containing all Arkansas income tax forms and instructions when they order Package A. Your comments about the CD would be appreciated. Also, your comments as to whether you would like to continue the paper version or switch to the CD would be appreciated. Your comments should be sent to: jan.moore@rev.state.ar.us.

Arkansas Compensating Use Tax (ACA § 26-53-101)

The tax levied by Ark. Code Ann. § 26-53-101 *et seq.* applies to the sales price of tangible personal property purchased for storage, use, consumption, or distribution in this State. The tax shall be collected from every person in this State for the privilege of storing, using, consuming, or distributing any article of tangible personal property in this State. The tax will not apply with respect to

the storage, use, consumption, or distribution of any article of tangible personal property purchased, produced, or manufactured outside this State until the transportation of such article has finally come to rest within this State or until such article has become co-mingled with the general mass of property of this State.

The compensating use tax is a complimentary tax to the Arkansas sales tax and applies to consumable purchases made from outside the State of Arkansas by businesses and individuals. The exemptions that are shown in the Sales Tax Code are applicable to purchases subject to the compensating use tax.

True or False?

Did you get a good price on the dress you purchased from the mail order catalog? Was the offer of free shipping enough to make you order all your Christmas presents over the Internet this year? Have you filed your individual consumer use tax report and paid the use tax on all those purchases?



Taxpayer's reply, "What is consumer use tax and why would I have to pay it on my mail order/Internet purchases? I thought merchandise purchased out of state was tax-free." **This is not true.**

Consumer use tax is a tax similar to the sales tax shoppers pay when purchasing items from a merchant. The major difference is consumer use tax is paid on purchases made from out-of-state vendors who are not required by law to collect the Arkansas tax. Consumers in the State of Arkansas are responsible for reporting this consumer use tax directly to the State of Arkansas themselves. The tax rate is the same as the sales tax rate – state rate of 5.125% plus the city and county tax where the merchandise was delivered – and is computed on the

total purchase price of the items including shipping and handling charges.

To assist individual consumers in complying with the law, the Sales and Use Tax Section makes available the Individual Consumer Use Tax Form. The form can be found in your annual income tax booklet or can be downloaded from the sales tax website. Also available on the website is a list of cities and counties with local taxes to assist in computing the local tax portion.

If you have questions regarding consumer use tax, visit the Sales and Use Tax Section website at www.state.ar.use/salestax or call the office at (501) 682-1895.

Act 665 of 2003: Sales tax prepayments paid via EFT are due on 12th and 24th of each month

Effective January 1, 2004, Act 665 of 2003 has amended Ark. Code Ann. § 26-52-512 to require taxpayers to use Electronic Fund Transfer (EFT) when prepaying sales tax on the 12th and 24th of each month. Taxpayers may set up the ACH-Debit or ACH-Credit payment method.

Ark. Code Ann. § 26-52-512 requires all retailers in Arkansas that have an average net sales of \$200,000.00 or more per month to make prepayments of their monthly sales tax due. Taxpayers who meet the criteria to make prepayments will no longer be able to make the prepayments by check, and prepayment vouchers will not be available for 2004. All taxpayers affected by prepayment are mailed a 2004 schedule for their individual business. The schedule provides the amount, which is based on the previous year's tax payments, for each prepayment.

There are about 1,300 taxpayers in Arkansas who will make prepayments in 2004. About 1,000 of these taxpayers already make prepayments by Electronic Fund Transfer. Act 665 of 2003 affects the remaining 300 taxpayers who were previously sending two checks each month with a paper voucher for their prepayments. Twice a month, the taxpayer initiates an electronic payment by phone or computer software and the payment is applied to the taxpayer's account. The taxpayer benefits by being able to set up his payments each month so that the funds are electronically transferred, and he eliminates the potential of a lost or delayed check in the mail. Many taxpayers will initiate the prepayments ahead of time, and the payment is transferred on the date specified by the taxpayer.



Taxpayers who have been notified that they must make prepayments may contact the EFT/Prepay Unit at 501-682-7105 if they have questions concerning the setup requirements of their banking information for the electronic fund transfer process.

Renovation of Ledbetter Building is complete and room numbers have changed

Room 1310	Central Audit District
Room 1360	Collections
Room 1380	Withholding Section
Room 1450	Audit Coordination
Room 2240	Miscellaneous Tax
Room 2250	Corporation Income Tax
Room 2350	Motor Fuel Tax
Room 2360	Hearings and Appeals
Room 2380	Revenue Legal Counsel
Room 2370	Tax Credits/Special Refunds
Room 2460	Taxpayer Assistance Office

Reminder: The due date for filing an Arkansas individual income tax return is April 15, 2004.

Calendar of Due Dates

CHANGES IN SALES & USE TAX

Please Call (501) 682-7104 For Periodic Updates

Regarding Local Sales and Use Taxes

www.accessarkansas.org/salestax

Name	Code	Effective Date	%	Recent Action
Barling	65-04	01/04	1.00	Enacted
Cherry Valley	19-01	01/04	1.00	Enacted
Dermott	09-03	02/04	2.75	Decreased from 3%
Jacksonville	60-04	01/04	2.00	Increased from 1%
Jasper	51-01	01/04	2.00	Increased from 1%
Lowell	04-08	01/04	2.0	Increased from 1%
Mountain Pine	26-03	01/04	0.00	Rescinded
Prescott	50-01	01/04	2.375	Increased from 1%
Sharp County	67-00	01/04	1.25	Increased from 1%
White County	73-00	01/04	1.50	Increased from 1%

01/14/04—4th Qtr. Individual estimated income tax (based on calendar year filer) (EFT filers only); Employee monthly W/H tax, for prior month (EFT filers only)

01/15/04—4th Qtr. Individual estimated income tax (based on calendar year filer); Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes)

01/20/04—Sales & Use Tax

01/26/04—Motor fuel tax (except IFTA); Severance tax

02/02/04—Employee W/H tax report for prior year (annual filers only); IFTA

02/13/04—Employee monthly W/H tax, for prior month (EFT filers only)

02/16/04—Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes)

02/20/04—Sales & Use Tax

02/25/04—Motor fuel tax (except IFTA); Severance tax

03/01/04—Employer's annual reconciliation of income tax withheld (including W-2's & 1099's)

03/12/04—Employee monthly W/H tax, for prior month (EFT filers only)

03/15/04—Employee monthly W/H tax, for prior month; AR income tax returns ("C" or "S" corporation, check the box partnership, LLC) (based on calendar year filers; return due date 2 ½ months after end of tax year); Miscellaneous tax (except Severance taxes)

03/22/04—Sales & Use Tax

03/25/04—Motor fuel tax (except IFTA); Severance tax

Internet Information

Business and Personal Tax Page

<http://www.accessarkansas.org/dfa/taxes/index.html>

Telephone Information

Corporate Income Tax (501) 682-4775

Taxpayer Assistance for (501) 682-1100

Individual Income Tax 1-800-882-9275

Automated Refund Inquiry (501) 682-0200

& Tele-tax Information 1-800-438-1992

IRS (Internal Revenue Service)

<http://www.irs.gov>

1-(800) 829-1040

The Arkansas State Revenue Tax Quarterly is a publication of the Taxpayer Assistance Office. The newsletter is produced and distributed electronically to tax professionals, businesses, and organizations operating in Arkansas. To be added to or deleted from the email list, contact Jan Moore, phone (501) 682-7751, send an e-mail to jan.moore@rev.state.ar.us, or write to P. O. Box 1272, Ledbetter Building, Room 2460, Little Rock, Arkansas 72203-1272.